



Report to the Auburn City Council

Action Item

Agenda Item No. **8**

City Manager Approval

To: Mayor and City Council Members
From: John Ruffcorn, Chief of Police
Date: April 9, 2012
Subject: Expansion of Vehicle Leasing Program

The Issue

Should the City Council approve an expansion of our current Enterprise Vehicle Leasing Program, rather than purchasing two non-pursuit rated public safety vehicles?

Conclusion and Recommendation

Based on our research and the success of the program over the last two years, staff is recommending that the City Council approve an expansion of our Enterprise Vehicle Leasing Program based on the benefits we have experienced. The proposed expansion of the program will continue to promote financially sound City government by affording the City to continue to increase its efficient and effective policy as it relates to its non-pursuit rated public safety fleet.

Background

The police department's non-pursuit rated public safety fleet is composed of twelve vehicles, including a van, a pickup truck, a utility truck, a parking enforcement scooter, and several automobiles which staff use in the performance of their job duties. At present, two of the vehicles are leased, and ten of the vehicles are city-owned. Maintenance of the leased vehicles is included in the cost, and has been completed through local vendors. The city-owned vehicles are maintained by city staff; however, there are occasions when it is necessary to have the vehicles serviced by a dealer.

While turnover varies, the general pattern in the past was to purchase the vehicles, operate them until they are obsolescent, and then sell them at auction. Today, the average age of a vehicle in the police department's non-pursuit rated public safety fleet is 8.66 years, a slight increase from the previous council report from two years ago (The leased vehicles reduce the overall age of the fleet.).

In 2009, Enterprise Fleet Services approached the police department and made a presentation to executive staff about its fleet lease services. Following Enterprise's presentation, command police staff worked with other city staff to study the concept of a fleet lease model, ultimately concluding that the concept has potential cost savings, operational efficiency and air quality benefits, which deserve a closer examination. At that time, council decided to pilot a program and leased two vehicles through Enterprise Fleet Services.

Analysis

The pilot program consisted of entering into a lease arrangement with Enterprise Fleet Services to lease rather than purchase two vehicles. The performance of the leasing pilot program has been assessed over the last two years and it is staff's opinion that this program has been a benefit to the city.

Under the lease program, the city retained the ability to select the vehicles and add features (emergency lights, radios, etc...) that allow staff to do their jobs most-effectively. Maintenance costs are structured into the lease payment, with all tracking and scheduling performed by Enterprise. Maintenance was performed by local vendors, keeping our dollars in local merchants' hands. Finally, when the leases end, the city will have the following options: (1) purchase the vehicle from Enterprise for the residual value; (2) have Enterprise sell the vehicle and keep the equity (resale amount less residual value); or (3) have Enterprise sell the vehicle and apply the equity towards a new lease.

The current annual cost of the initial leases varies by vehicle, but ranges from \$5,544 to \$6,140. Included in this price are all maintenance and the equivalent of one new tire per vehicle per year. There is also the potential for additional rent on the vehicles in the event they are damaged beyond normal wear and tear or if they have diminished in value below wholesale as of the end date of the lease. However, staff does not believe the City will incur these costs because Enterprise has a broad definition of normal wear and tear for municipal vehicles, and the book value of the vehicles includes a cushion designed to avoid end-of-lease payments from lessees.

Staff continues to rely upon a competitive selection process conducted by several other public entities to select Enterprise Fleet Services to administer the proposed pilot program. Best known for its retail car rental business, Enterprise also has a large fleet lease operation and has worked with other jurisdictions in California to provide the services contemplated under our current program.

Prior to making this recommendation to expand our current program, staff has evaluated a variety of factors, including the overall cost of the leasing program, staff satisfaction with the leased vehicles, ease of maintenance, and the efficiency of dealing with the leasing company. Again, all staff members that have been involved in this pilot program (Finance Department and the Police Department) highly recommend expanding the program. The Finance Department has spent less time processing vehicle related paperwork, and both the police department and the finance department have one person to contact for all vehicle related questions. Enterprise is very proactive in scheduling update meetings and is very responsive to our needs.

The proposed expansion of the program does provide the benefits we projected two years ago. Enterprises' has substantial expertise to analyze (and potentially streamline) the city's fleet operations. More tangibly, the lease model offers the police department and potentially the City with a newer vehicle fleet at a reduced cost with lower maintenance costs. Whereas the average vehicle in the police department's non-pursuit rated fleet is over eight years old, if the proposed model were adopted for the entire fleet, the oldest vehicle at any given time would be five years old. Since fuel economy, emissions control technology and mechanical reliability are better for newer vehicles, this reduction in the average vehicle age will continue to result in significant cost savings to the City, while reducing air pollution emitted by City vehicles.

Alternatives Available to Council; Implications of Alternatives

The Council's primary alternatives are:

- 1) Approve the expansion of the current program
- 2) Approve the expansion of the current program with modifications; or
- 3) Decline to approve the expansion of the current program and direct staff to look at purchasing vehicles in the future.

Alternative 1 is staff's recommended action. Staff is open to Alternative 2, but staff does not recommend Alternative 3 because the fleet lease model has provided the city an efficient and effective model to improve the City's fleet operations over the last two years.

Fiscal Impact

The City's 2012-2013 police department budget is going to have to include funds to purchase the two vehicles involved in the proposed expansion of our current program at a cost of \$30,000-\$40,000 each. The vehicles we need to replace have been driven over 120,000 miles, and one of them is 14 years old, while the other is 10 years old. The cost of leasing these vehicles (\$27,670-\$30,700 over the course of a five-year lease, to include maintenance) and is equivalent to the cost to purchase over the five-year lease term.

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RESOLUTION NO. 12-
RESOLUTION SUPPORTING THE EXPANSION OF THE VEHICLE LEASING
PROGRAM WITH ENTERPRISE FLEET MANAGEMENT, INC.

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:
That the City Council of the City of Auburn does hereby authorize the
Chief of Police to expand the vehicle leasing program and authorizes the City
Manager or his designee to enter into an additional agreement with Enterprise
Fleet Management, Inc.

DATED: April 9, 2012

Keith Nesbitt, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
that the foregoing resolution was duly passed at a regular meeting of the City
Council of the City of Auburn held on the 9th day of April, 2012 by the
following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk